Revenue

ACCOUNTABILITY STATEMENT

This Business Plan for the three years commencing April 1, 2001 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at April 3, 2001 with material economic or fiscal implications of which I am aware have been considered in preparing the Business Plan.

The Ministry's priorities outlined in the Business Plan were developed in the context of the government's business and fiscal plans. I am committed to achieving the planned results laid out in this Business Plan.

[ORIGINAL SIGNED]

Greg Melchin, *Minister of Revenue*
April 10, 2001

102-03638/

REVENUE'S VISION

To provide prudent and innovative revenue and investment management.

REVENUE'S MISSION (CORE BUSINESSES)

- Manage and invest financial assets prudently.
- Administer tax and revenue programs fairly and efficiently.
- Manage risk associated with loss of public assets.
- Regulate Alberta's capital market.

REVENUE GOALS FOR 2001-04

1. Develop and implement sustainable revenue and investment frameworks that meet the province's needs.
2. Maximize investment returns subject to client-defined objectives and policies.
3. A fair and competitive provincial tax system managed efficiently and effectively.
4. Safeguard public assets from accidental loss.
5. Foster a fair and efficient capital market in Alberta.

Note: In addition to the Revenue Department, the Ministry of Revenue includes the activities of the Alberta Heritage Savings Trust Fund, Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Scholarship Fund, Alberta Risk Management Fund, Alberta Heritage Science and Engineering Research Endowment Fund, and Alberta Securities Commission. Additional details for the Alberta Securities Commission and the Alberta Heritage Savings Trust Fund are contained in the supplementary information to the Ministry Plan.

GOAL 1: DEVELOP AND IMPLEMENT SUSTAINABLE REVENUE AND INVESTMENT FRAMEWORKS THAT MEET THE PROVINCE'S NEEDS

Related Core Government Measures: Provincial Credit Rating, Accumulated Debt

STRATEGIES/OUTPUTS	OUTCOMES	PERFORMANCE MEASURES/TARGETS
• Develop and implement a revenue management framework for overall government revenues.	• Alberta's revenues are managed efficiently and effectively.	• To be developed.
• Develop and implement an investment management framework.	• A disciplined investment strategy.	• To be developed.
• Lead a "Future Summit" to chart a course for the province's debt free future.	• A vision of Alberta's future - people, prosperity and preservation.	• Clear concise action for the future.

GOAL 2: MAXIMIZE INVESTMENT RETURNS SUBJECT TO CLIENT-DEFINED OBJECTIVES AND POLICIES

Related Core Government Measures: Provincial Credit Rating, Accumulated Debt

STRATEGIES/OUTPUTS	OUTCOMES	PERFORMANCE MEASURES/TARGETS
• Maximize long-term return on the government's investments to generate sustainable income to support the province's financial position.	• Continued investment performance that meets or exceeds the established performance benchmarks.	• Clearly defined investment benchmarks have been established for the government's investments.
• Develop a competitive and sustainable business model for the investment of the government's financial assets and public sector client funds. • Satisfy client needs (e.g. Heritage Fund, public sector pension funds) by providing a wide range of investment products. • Analyze new products and implement those that contribute to investment objectives. • Continue to use a mix of direct internal investment and external investment management firms. • Continue to improve the quality of investment performance measurement and client reporting. • Enhance the management of risk by implementing new monitoring and analytical tools. • Maintain Revenue's status as a cost-effective provider.	• Focused and professional investment operation with a strong governance structure. • Efficient and prudent management of the province's financial assets. • Efficient and prudent management of assets of other funds (e.g., public sector pension funds) invested by the Minister of Revenue.	• Annualized market value rates of return (ROR) measured against benchmarks established by clients. **Heritage Fund:** **Total Fund:** **ROR compared against the province's total debt portfolio on a market value basis.** **Endowment Portfolio:** **ROR greater than a benchmark portfolio.** (Details in Performance Measures section.) Returns will also be compared to other major Canadian investment funds and to the rate of inflation.

Note: Key performance measures appear in bold throughout the goals section.

GOAL 3: A FAIR AND COMPETITIVE PROVINCIAL TAX SYSTEM MANAGED EFFICIENTLY AND EFFECTIVELY

Related Core Government Measures: Taxation Load, Job Growth, Cost of Government

STRATEGIES/OUTPUTS	OUTCOMES	PERFORMANCE MEASURES/TARGETS
• Co-ordinate tax policy/changes within the province. • Work with stakeholders (provincial) to review tax policy issues. • Implement the April 1, 2001 business tax plan changes; implement the 2002-04 tax plan steps subject to affordability.	• A tax system that encourages Albertans to work and that supports families. • A competitive corporate tax regime that attracts business and investment. (Shared outcomes with Ministry of Finance)	• **Provincial tax load for a family of four; target: the lowest in Canada.** • Personal tax load; target: the lowest in Canada. • **Provincial tax load on businesses; target: the lowest in Canada.** • Per cent annual growth in business registrations; target: 3%. (Shared Performance Measures with Ministry of Finance. Reported in Ministry of Finance.)
• Maintain an effective and affordable tax system by encouraging self-compliance and addressing non-compliance.	• High rate of compliance with tax programs. • Low level of outstanding disputes. • Fair and consistent treatment of taxpayers.	• Percentage of returns filed on time; target: 97%. • Percentage of accounts with a nil balance; target: 97% • Percentage of objections filed to assessments and reassessments issued; target: 0.25%
• Reduce the cost of tax compliance for both government and taxpayers by simplifying processes and expanding the use of E-Business.	• Low costs of tax administration for both taxpayers and government. • Increased number of business entities using E-Business.	• Satisfaction with tax administration; target: 85%. • Satisfaction with compliance costs; target: 80%. • Costs per $100 collected; target: lowest in Canada. • Use of E-Business; target: one-third of all transactions in Tax and Revenue Administration conducted electronically by the end of 2003-04.
• Work in partnership with Ministry of Finance, Canada Customs and Revenue Agency and the other provinces to harmonize tax programs and processes.	• Increased harmony of tax programs between governments and reduced overlap and duplication.	• Acceptance of harmonization initiatives by other jurisdictions.

GOAL 4: SAFEGUARD PUBLIC ASSETS FROM ACCIDENTAL LOSS

Related Core Government Measures: Provincial Credit Rating

STRATEGIES/OUTPUTS	OUTCOMES	PERFORMANCE MEASURES/TARGETS
• Control the cost of risk and increase accountability of departments and agencies for safeguarding public assets from accidental loss.	• Public assets are protected from risk of significant accidental loss.	• Condition of the Risk Management Fund; target: fund assets and liabilities balance. • Satisfaction of ministries with services provided; target: 4 out of 5 satisfied or very satisfied.

GOAL 5: FOSTER A FAIR AND EFFICIENT CAPITAL MARKET

Related Core Government Measures: GDP

STRATEGIES/OUTPUTS	OUTCOMES	PERFORMANCE MEASURES/TARGETS
• Improve the regulatory and enforcement environments in Alberta, and maintain working relationships with industry, other securities regulatory authorities, regulators of financial institutions and government.	• A fair and efficient capital market in Alberta and confidence in that market.	• See Alberta Securities Commission Three-Year Business Plan 2001-04.

KEY PERFORMANCE MEASURES

ALBERTA HERITAGE SAVINGS TRUST FUND

TOTAL FUND

The market value rate of return of the Fund, which includes income and realized and unrealized capital gains or losses, is compared against the cost of the province's total debt (Canadian and U.S. dollar debt) on a market value basis.

RETURN ON COMBINED PORTFOLIO

(Period Ending December 31, 2000)

	Annualized Return		
	1 Year	2 Year	3 Year
Combined Portfolio Transition/Endowment	5.4%	6.1%	6.7%
Cost of province's total debt portfolio	10.0%	5.2%	6.6%

ENDOWMENT PORTFOLIO

The market value rate of return which includes income and realized and unrealized capital gains or losses, is targeted to exceed the rate of return, over a four-year period, of a benchmark portfolio.

ENDOWMENT PORTFOLIO PERFORMANCE

(Period Ending December 31, 2000)

	Actual Fund Market Return					Benchmark Portfolio Return*					
	Weightings at 31-Dec-00	1 Year	2 Year	3 Year	4 Year		Index Weight	1 Year	2 Year	3 Year	4 year
Short-term Fixed Income	4.1%	5.6%	5.4%	5.2%	4.8%	SC 91 Day T-Bill Index	3%	5.5%	5.1%	5.0%	4.5%
Long-term Fixed Income	36.1%	10.9%	4.9%	6.2%	6.6%	SC Universe Bond Index	37%	10.2%	4.4%	6.0%	6.9%
Canadian Equities	22.5%	8.1%	16.4%	11.0%	13.0%	TSE 300 Index	23%	7.4%	18.9%	11.7%	12.5%
Foreign Equities	31.9%	-8.9%	8.6%	13.8%	n/a	MSCI World Index (excluding Canada)	30%	-10.6%	2.5%	12.2%	14.3%
Real Estate	5.4%	7.2%	7.3%	9.0%	n/a	Russell Canadian Property Index	7%	11.8%	11.2%	12.8%	14.2%
Total Portfolio	100%	3.6%	9.0%	9.4%	10.2%		100%	3.4%	7.9%	8.8%	9.9%

Benchmark Portfolio Index Weight** (effective April 1, 2001)	
2%	SC 91 Day T-Bill Index
33%	SC Universe Bond Index
23%	TSE 300 Index
17.5%	S & P 500
17.5%	MSCI EAFE
7%	Russell Canadian Property Index
100%	

* The current benchmark portfolio index weight has been changed effective April 1, 2001. Future performance will be measured against the new benchmark portfolio shown to the left.

** For the definition of the indices see Attachment B of the Alberta Heritage Savings Trust Fund Business Plan in this volume.

Expense by Core Business

(thousands of dollars)

	Comparable 1999-2000 Actual	Comparable 2000-01 Budget	Comparable 2000-01 Prelim. Actual	2001-02 Estimates	2002-03 Target	2003-04 Target
EXPENSE						
Core Business						
Manage and Invest Assets Prudently	63,840	82,266	74,753	98,545	147,496	108,007
Administer Tax and Revenue Programs Fairly and Effectively	32,569	37,902	38,820	39,697	39,356	39,447
Protect Public Assets from Accidental Loss	6,296	7,618	7,165	7,801	7,803	7,808
Regulate Alberta's Capital Markets	11,772	13,086	13,943	15,460	16,147	16,618
MINISTRY EXPENSE	114,477	140,872	134,681	161,503	210,802	171,880

Ministry Statement of Operations

(thousands of dollars)

	Comparable 1999-2000 Actual	Comparable 2000-01 Budget	Comparable 2000-01 Prelim. Actual	2001-02 Estimates	2002-03 Target	2003-04 Target
REVENUE						
Internal Government Transfers	200	200	200	200	200	200
Personal and Corporate Income Taxes	6,354,892	6,608,764	5,944,727	6,050,556	6,257,547	6,395,124
Other Taxes	1,106,640	1,125,408	1,138,653	1,105,933	1,119,900	1,133,368
Investment Income	1,425,087	991,062	927,436	682,324	882,993	1,040,059
Premiums, Fees and Licences	11,792	13,114	13,482	14,237	14,927	16,108
Other Revenue	14,393	12,669	13,003	12,726	13,266	13,350
MINISTRY REVENUE	8,913,004	8,751,217	8,037,501	7,865,976	8,288,833	8,598,209
EXPENSE						
Program						
Tax and Revenue Collection	30,314	35,095	36,009	36,129	35,900	36,044
Investment Management	63,194	81,565	74,030	97,716	146,597	107,083
Government Risk Management and Insurance	6,062	7,390	6,936	7,546	7,546	7,546
Regulation of Capital Markets	11,772	13,086	13,943	15,460	16,147	16,618
Ministry Support Services	3,452	3,436	3,463	3,902	4,012	4,089
Valuation Adjustments and Other Provisions	(317)	300	300	750	600	500
MINISTRY EXPENSE	114,477	140,872	134,681	161,503	210,802	171,880
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-	-
NET OPERATING RESULT	8,798,527	8,610,345	7,902,820	7,704,473	8,078,031	8,426,329

Consolidated Net Operating Result

(thousands of dollars)

	Comparable 1999-2000 Actual	Comparable 2000-01 Budget	Comparable 2000-01 Prelim. Actual	2001-02 Estimates	2002-03 Target	2003-04 Target
Ministry Revenue	8,913,004	8,751,217	8,037,501	7,865,976	8,288,833	8,598,209
Inter-ministry consolidation adjustments	(72,036)	(62,038)	(61,793)	(37,453)	(24,078)	(23,221)
Consolidated Revenue	8,840,968	8,689,179	7,975,708	7,828,523	8,264,755	8,574,988
Ministry Expense	114,477	140,872	134,681	161,503	210,802	171,880
Inter-ministry consolidation adjustments	(23,898)	(24,464)	(25,476)	(25,515)	(25,724)	(26,225)
Consolidated Expense	90,579	116,408	109,205	135,988	185,078	145,655
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-	-
CONSOLIDATED NET OPERATING RESULT	8,750,389	8,572,771	7,866,503	7,692,535	8,079,677	8,429,333